

Message Text

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ACTION INR-07

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TO SECSTATE WASHDC 7217
INFO AMEMBASSY NEW DELHI

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E.O. 11652 N/A
TAGS: PINR, IN
SUBJ: REQUEST FOR SUPPLEMENTAL BIODATA ON DR. RABINDRA K. HAZARI

REF: STATE 077476

1. THE CURRENT THREE-YEAR TERM OF DEPUTY GOVERNOR OF THE RESERVE BANK OF INDIA (RBI) DR. RABINDRA K. HAZARI EXPIRES IN NOVEMBER 1977. FEW IN BOMBAY FINANCIAL COMMUNITY BELIEVE THAT THE 44-YEAR OLD HAZARI WILL GET ANOTHER TERM.

2. HAZARI CAME INTO THE LIMELIGHT IN 1967 WITH HIS REPORT TO THE GOI ON INDUSTRIAL PLANNING AND LICENSING POLICY IN WHICH HE EXPOSED LICENSING MALPRACTICES BY CERTAIN INDUSTRIAL HOUSES, PARTICULARLY THE BIRLAS. HE HAS BEEN IN HIS PRESENT POST AS DEPUTY GOVERNOR OF THE RBI SINCE NOVEMBER 27, 1969. DURING HIS FIRST TERM OF OFFICE (UNTIL 1974) DR. HAZARI WAS IN CHARGE OF BANKING OPERATIONS (DEPARTMENT OF BANKING OPERATIONS & DEVELOPMENT) AND CREDIT PLANNING AND WIELDED CONSIDERABLE INFLUENCE IN POLICY MAKING. DURING THE LATTER PART OF THAT TERM HE WAS ALSO GIVEN RESPONSIBILITY FOR THE DEPARTMENT OF ECONOMICS AND THE DEPARTMENT OF STATISTICS UNTIL DR. K.S. KRISHNASWAMY ANOTHER RBI DEPUTY GOVERNOR TOOK OVER THESE DEPARTMENTS IN LATE 1973.

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3. AFTER GETTING AN EXTENSION OF HIS TERM AS DEPUTY GOVERNOR RBI IN 1974 HE HAS FALLEN OUT OF FAVOR WITH THE GOI. DURING THE EMERGENCY DECLARED BY PRIME MINISTER INDIRA GANDHI FROM JUNE 1975 THROUGH MARCH 1977 HAZARI APPEARS NOT TO HAVE COMMANDED ANY INFLUENCE AT ALL. POLITICAL APPOINTMENTS TO THE RBI ENGINEERED BY SANJAY GANDHI, SON OF THE FORMER PRIME MINISTER MRS. INDIRA GANDHI, PARTICULARLY THAT OF DEPUTY GOVERNOR J.C. LUTHER,

RESULTED IN A SHARP DIMINUTION IN DR. HAZARI'S INFLUENCE. IT WAS DURING THIS TIME THAT HE LOST BOTH THE PORTFOLIOS OF DBOB AND THAT OF CREDIT POLICIES. BUT BANKING CIRCLES BELIEVE THAT EVEN BEFORE THE EMERGENCY HAZARI WAS NOT PROVING TO BE A PARTICULARLY EFFECTIVE GOVERNOR.

4. ON JAN. 31, '77 HAZARI WAS ASSIGNED RESPONSIBILITY FOR ACCOUNTS IN THE BANKING AND ISSUE DEPARTMENTS, THE DEPARTMENT OF NON-BANKING COMPANIES AND THE INDUSTRIAL FINANCE DEPARTMENT. BY VIRTUE OF HIS RBI POSITION, HAZARI IS ALSO CHAIRMAN OF THE CREDIT GUARANTEE CORPORATION OF INDIA, THE DEPOSIT INSURANCE CORPORATION AND THE AGRICULTURAL REFINANCE AND DEVELOPMENT CORPORATION.

5. HAZARI IS NOT CONSIDERED TO BE A MONETARY ECONOMIST OR BANKING EXPERT. HIS DOCTORATE THESIS WAS ON ECONOMIC GROWTH AND HIS FIELD OF SPECIALIZATION AS A PROFESSOR WAS AGRICULTURAL

FINANCE AND INDUSTRIAL ECONOMICS. AS AN INSTRUCTOR HE WAS VERY POPULAR WITH THE UNDERGRADUATES HE TAUGHT AT BOMBAY'S ST. XAVIER'S COLLEGE FROM 1951-64 AND LATER AT THE UNIVERSITY OF BOMBAY 1964-67. AS EDITOR OF THE ECONOMIC AND POLITICAL WEEKLY, PUBLISHED IN BOMBAY, HE ESTABLISHED A REPUTATION AS BEING LEFTIST IN HIS ECONOMIC VIEWS. DR. HAZARI IS BELIEVED TO BE SEEKING THE POST OF EXECUTIVE DIRECTOR-INDIA AT THE INTERNATIONAL MONETARY FUND, NOW VACANT DUE TO THE DEATH OF M.G. KAUL LAST MONTH. SUCCESS IN THIS QUEST WOULD SEEM TO DEPEND ON THE RELATIONSHIP HAZARI IS ABLE TO ESTABLISH WITH THE NEW GOVERNMENT IN NEW DELHI, BUT WITH REGARD TO RBI, MOST OBSERVERS HERE FEEL THAT HAZARI IS ON HIS WAY OUT.
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6. DR. HAZARI IS CURRENTLY ON A LECTURE/STUDY TOUR TO PARIS, LONDON, BOSTON, NEW YORK AND WASHINGTON AND WILL RETURN TO BOMBAY ON MAY 2.
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